**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2026**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ________ to ________**

# O'REILLY AUTOMOTIVE, INC.

**(Exact name of registrant as specified in its charter)**

| **Missouri** | **000-21318** | **27-4358837** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | Commission file number | (I.R.S. Employer Identification No.) |

**233 South Patterson Avenue**
**Springfield, Missouri 65802**
(Address of principal executive offices, Zip code)

**(417) 862-6708**
(Registrant's telephone number, including area code)

**Not applicable**
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on which Registered |
|---|---|---|
| Common Stock, $0.01 par value | ORLY | The Nasdaq Stock Market LLC (Nasdaq Global Select Market) |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Emerging growth company | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: Common stock, $0.01 par value - 808,960,792 shares outstanding as of August 3, 2026.

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**
**FORM 10-Q**
**FOR THE QUARTER ENDED JUNE 30, 2026**
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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

| | June 30, 2026 (Unaudited) | December 31, 2025 (Note) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 262,181** | $ 193,793 |
| Accounts receivable, net | **457,785** | 389,793 |
| Amounts receivable from suppliers | **170,728** | 159,900 |
| Inventory | **5,971,856** | 5,731,385 |
| Other current assets | **337,082** | 269,406 |
| Total current assets | **7,199,632** | 6,744,277 |
| Property and equipment, at cost | **10,741,816** | 10,222,249 |
| Less: accumulated depreciation and amortization | **4,191,571** | 3,964,824 |
| Net property and equipment | **6,550,245** | 6,257,425 |
| Operating lease, right-of-use assets | **2,484,413** | 2,391,150 |
| Goodwill | **955,211** | 948,208 |
| Other assets, net | **199,615** | 197,193 |
| Total assets | **$ 17,389,116** | $ 16,538,253 |
| **Liabilities and shareholders' deficit** | | |
| Current liabilities: | | |
| Accounts payable | **$ 7,384,958** | $ 7,103,684 |
| Self-insurance reserves | **214,311** | 297,304 |
| Accrued payroll | **176,174** | 119,603 |
| Accrued benefits and withholdings | **275,493** | 240,072 |
| Income taxes payable | **—** | 13,957 |
| Current portion of operating lease liabilities | **452,275** | 439,907 |
| Other current liabilities | **1,071,463** | 561,294 |
| Total current liabilities | **9,574,674** | 8,775,821 |
| Long-term debt | **7,014,543** | 6,016,904 |
| Operating lease liabilities, less current portion | **2,120,615** | 2,034,688 |
| Deferred income taxes | **238,615** | 211,210 |
| Other liabilities | **276,394** | 262,982 |
| Shareholders' equity (deficit): | | |
| Common stock, $0.01 par value: Authorized shares – 1,250,000,000 Issued and outstanding shares – 816,165,813 as of June 30, 2026, and 841,909,238 as of December 31, 2025 | **8,162** | 8,419 |
| Additional paid-in capital | **1,536,955** | 1,530,292 |
| Retained deficit | **(3,416,414)** | (2,328,817) |
| Accumulated other comprehensive income | **35,572** | 26,754 |
| Total shareholders' deficit | **(1,835,725)** | (763,352) |
| Total liabilities and shareholders' deficit | **$ 17,389,116** | $ 16,538,253 |

Note: The balance sheet at December 31, 2025, has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements.

See accompanying Notes to condensed consolidated financial statements.

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| Sales | **$ 4,892,013** | $ 4,525,058 | **$ 9,452,552** | $ 8,661,982 |
| Cost of goods sold, including warehouse and distribution expenses | **2,375,273** | 2,198,520 | **4,588,601** | 4,213,959 |
| Gross profit | **2,516,740** | 2,326,538 | **4,863,951** | 4,448,023 |
| | | | | |
| Selling, general and administrative expenses | **1,530,994** | 1,412,068 | **3,036,597** | 2,792,087 |
| Operating income | **985,746** | 914,470 | **1,827,354** | 1,655,936 |
| | | | | |
| Other income (expense): | | | | |
| Interest expense | **(69,871)** | (57,337) | **(132,616)** | (114,901) |
| Interest income | **1,589** | 1,885 | **3,337** | 3,549 |
| Other, net | **6,611** | 2,437 | **6,089** | 1,222 |
| Total other expense | **(61,671)** | (53,015) | **(123,190)** | (110,130) |
| | | | | |
| Income before income taxes | **924,075** | 861,455 | **1,704,164** | 1,545,806 |
| Provision for income taxes | **209,011** | 192,860 | **384,919** | 338,726 |
| Net income | **$ 715,064** | $ 668,595 | **$ 1,319,245** | $ 1,207,080 |
| | | | | |
| *Earnings per share-basic:* | | | | |
| Earnings per share | **$ 0.87** | $ 0.78 | **$ 1.59** | $ 1.41 |
| Weighted-average common shares outstanding – basic | **825,197** | 854,003 | **831,853** | 856,768 |
| | | | | |
| *Earnings per share-assuming dilution:* | | | | |
| Earnings per share | **$ 0.86** | $ 0.78 | **$ 1.58** | $ 1.40 |
| Weighted-average common shares outstanding – assuming dilution | **828,875** | 858,440 | **835,661** | 861,368 |

See accompanying Notes to condensed consolidated financial statements.

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| Net income | **$ 715,064** | $ 668,595 | **$ 1,319,245** | $ 1,207,080 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | **10,312** | 45,400 | **8,818** | 51,378 |
| Total other comprehensive income | **10,312** | 45,400 | **8,818** | 51,378 |
| Comprehensive income | **$ 725,376** | $ 713,995 | **$ 1,328,063** | $ 1,258,458 |

See accompanying Notes to condensed consolidated financial statements.

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(In thousands)

**For the Three Months Ended June 30, 2026**

| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital | Deficit | Income (Loss) | Total |
| **Balance at March 31, 2026** | **832,293** | **8,323** | **1,537,430** | **(2,638,068)** | **25,260** | **$ (1,067,055)** |
| Net income | — | — | — | 715,064 | — | 715,064 |
| Total other comprehensive income | — | — | — | — | 10,312 | 10,312 |
| Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes | 112 | 2 | 8,920 | — | — | 8,922 |
| Net issuance of common stock upon exercise of stock options | 463 | 4 | 13,489 | — | — | 13,493 |
| Share based compensation | — | — | 8,185 | — | — | 8,185 |
| Share repurchases, including fees | (16,702) | (167) | (31,069) | (1,478,840) | — | (1,510,076) |
| Excise tax on share repurchases | — | — | — | (14,570) | — | (14,570) |
| **Balance at June 30, 2026** | **816,166** | **$ 8,162** | **$ 1,536,955** | **$ (3,416,414)** | **$ 35,572** | **$ (1,835,725)** |

**For the Six Months Ended June 30, 2026**

| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital | Deficit | Income (Loss) | Total |
| **Balance at December 31, 2025** | **841,909** | **$ 8,419** | **$ 1,530,292** | **$ (2,328,817)** | **$ 26,754** | **$ (763,352)** |
| Net income | — | — | — | 1,319,245 | — | 1,319,245 |
| Total other comprehensive income | — | — | — | — | 8,818 | 8,818 |
| Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes | 216 | 3 | 17,316 | — | — | 17,319 |
| Net issuance of common stock upon exercise of stock options | 725 | 7 | 22,223 | — | — | 22,230 |
| Share-based compensation | — | — | 16,488 | — | — | 16,488 |
| Share repurchases, including fees | (26,684) | (267) | (49,364) | (2,383,392) | — | (2,433,023) |
| Excise tax on share repurchases | — | — | — | (23,450) | — | (23,450) |
| **Balance at June 30, 2026** | **816,166** | **$ 8,162** | **$ 1,536,955** | **$ (3,416,414)** | **$ 35,572** | **$ (1,835,725)** |

**For the Three Months Ended June 30, 2025**

| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital | Deficit | Income (Loss) | Total |
| **Balance at March 31, 2025** | **856,703** | **8,567** | **1,476,741** | **(2,805,929)** | **(36,835)** | **$ (1,357,456)** |
| Net income | — | — | — | 668,595 | — | 668,595 |
| Total other comprehensive income | — | — | — | — | 45,400 | 45,400 |
| Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes | 96 | 1 | 7,666 | — | — | 7,667 |
| Net issuance of common stock upon exercise of stock options | 566 | 6 | 16,834 | — | — | 16,840 |
| Share based compensation | — | — | 9,862 | — | — | 9,862 |
| Share repurchases, including fees | (6,804) | (68) | (11,815) | (605,325) | — | (617,208) |
| Excise tax on share repurchases | — | — | — | (5,562) | — | (5,562) |
| **Balance at June 30, 2025** | **850,561** | **$ 8,506** | **$ 1,499,288** | **$ (2,748,221)** | **$ 8,565** | **$ (1,231,862)** |

**For the Six Months Ended June 30, 2025**

| | Common Stock | | Additional Paid-In | Retained | Accumulated Other Comprehensive | |
|---|---|---|---|---|---|---|
| | Shares | Par Value | Capital | Deficit | Income (Loss) | Total |
| **Balance at December 31, 2024** | **862,233** | **$ 8,622** | **$ 1,454,518** | **$ (2,791,288)** | **$ (42,813)** | **$ (1,370,961)** |
| Net income | — | — | — | 1,207,080 | — | 1,207,080 |
| Total other comprehensive income | — | — | — | — | 51,378 | 51,378 |
| Issuance of common stock under employee benefit plans, net of forfeitures and shares withheld to cover taxes | 180 | 2 | 13,935 | — | — | 13,937 |
| Net issuance of common stock upon exercise of stock options | 1,421 | 15 | 35,844 | — | — | 35,859 |
| Share-based compensation | — | — | 17,803 | — | — | 17,803 |
| Share repurchases, including fees | (13,273) | (133) | (22,812) | (1,153,695) | — | (1,176,640) |
| Excise tax on share repurchases | — | — | — | (10,318) | — | (10,318) |
| **Balance at June 30, 2025** | **850,561** | **$ 8,506** | **$ 1,499,288** | **$ (2,748,221)** | **$ 8,565** | **$ (1,231,862)** |

See accompanying Notes to condensed consolidated financial statements.

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | For the Six Months Ended June 30, | |
|---|---|---|
| | **2026** | 2025 |
| **Operating activities:** | | |
| Net income | **$ 1,319,245** | $ 1,207,080 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property, equipment and intangibles | **273,643** | 247,159 |
| Amortization of debt discount and issuance costs | **3,818** | 3,667 |
| Deferred income taxes | **27,504** | (36,679) |
| Share-based compensation programs | **17,512** | 18,812 |
| Other | **5,722** | 7,945 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | **(75,256)** | (73,966) |
| Inventory | **(239,312)** | (280,899) |
| Accounts payable | **284,815** | 331,082 |
| Income taxes payable | **(33,836)** | 314,779 |
| Other | **455,557** | (227,014) |
| Net cash provided by operating activities | **2,039,412** | 1,511,966 |
| **Investing activities:** | | |
| Purchases of property and equipment | **(552,050)** | (587,685) |
| Proceeds from sale of property and equipment | **5,142** | 2,695 |
| Other, including acquisitions, net of cash acquired | **(2,767)** | (10,008) |
| Net cash used in investing activities | **(549,675)** | (594,998) |
| **Financing activities:** | | |
| Net proceeds of commercial paper | **651,888** | 298,918 |
| Proceeds from the issuance of long-term debt | **847,365** | — |
| Principal payments on long-term debt | **(500,000)** | — |
| Payment of debt issuance costs | **(6,655)** | (3,815) |
| Payment of excise tax on share repurchases | **(18,718)** | (17,012) |
| Repurchases of common stock | **(2,433,023)** | (1,176,640) |
| Net proceeds from issuance of common stock | **37,763** | 48,167 |
| Other | **(270)** | (433) |
| Net cash used in financing activities | **(1,421,650)** | (850,815) |
| Effect of exchange rate changes on cash | **301** | 2,215 |
| Net increase in cash and cash equivalents | **68,388** | 68,368 |
| Cash and cash equivalents at beginning of the period | **193,793** | 130,245 |
| Cash and cash equivalents at end of the period | **$ 262,181** | $ 198,613 |
| **Supplemental disclosures of cash flow information:** | | |
| Income taxes paid | **$ 100,317** | $ 393,872 |
| Interest paid, net of capitalized interest | **119,269** | 110,374 |

See accompanying Notes to condensed consolidated financial statements.

## NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of O'Reilly Automotive, Inc. and its subsidiaries (the "Company" or "O'Reilly") have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2026, are not necessarily indicative of the results that may be expected for the year ended December 31, 2026. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2025.

*Principles of Consolidation:*

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

## NOTE 2 – SEGMENT REPORTING

The Company conducts its operations in the U.S., Canada, and Mexico, and collectively this represents its single operating segment, referred to as its automotive aftermarket parts segment, which is its only reportable segment. There have been no changes in the determination of segmentation or the measurements used to determine reported segment net income during the six months ended June 30, 2026. The measure of segment assets is reported as "Total assets" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2026, and December 31, 2025. At June 30, 2026, and December 31, 2025, the Company's consolidated long-lived assets were located primarily in the United States and consolidated revenue was primarily generated within the United States for the three and six months ended June 30, 2026 and 2025, with immaterial assets and revenues associated with international operations.

The table below identifies the Company's significant segment expenses regularly provided to the chief operating decision maker that are included in reported segment profit or loss, which is consolidated net income, for the three and six months ended June 30, 2026 and 2025 (in thousands):

| | **For the Three Months Ended June 30,** | | **For the Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| **Automotive aftermarket parts segment:** | | | | |
| Sales | **$ 4,892,013** | $ 4,525,058 | **$ 9,452,552** | $ 8,661,982 |
| Cost of goods sold, including warehouse and distribution expenses | **2,375,273** | 2,198,520 | **4,588,601** | 4,213,959 |
| Gross profit | **2,516,740** | 2,326,538 | **4,863,951** | 4,448,023 |
| Less: Team Member compensation expense [1] | **954,573** | 895,688 | **1,882,465** | 1,759,232 |
| Rent expense [2] | **122,390** | 115,090 | **242,246** | 228,250 |
| Depreciation and amortization expense | **111,148** | 101,492 | **220,190** | 200,502 |
| Advertising expense | **27,753** | 24,894 | **50,032** | 44,828 |
| Other segment items [3] | **306,930** | 270,582 | **632,238** | 554,504 |
| Interest expense | **69,871** | 57,337 | **132,616** | 114,901 |
| Provision for income taxes | **209,011** | 192,860 | **384,919** | 338,726 |
| **Consolidated net income** | **$ 715,064** | $ 668,595 | **$ 1,319,245** | $ 1,207,080 |

(1) Team Member compensation expense derived from selling, general and administrative expenses included in Segment net income includes payroll expense, benefits and withholdings expense, share-based compensation expense, and nonqualified deferred compensation expense.

(2) Rent expense derived from selling, general and administrative expenses included in Segment net income includes rent and common area maintenance expense.

(3) Other segment items included in Segment net income includes vehicle expenses, utilities expense, real estate taxes and insurance expense, bad debt and banking fees expense, interest income, and other operating expenses.

## NOTE 3 – VARIABLE INTEREST ENTITIES

The Company has invested in certain tax credit funds that promote renewable energy. These investments generate a return primarily through the realization of federal tax credits and other tax benefits. The Company accounts for the tax attributes of its renewable energy investments using the deferral method. Under this method, realized investment tax credits and other tax benefits are recognized as a reduction of the renewable energy tax credits.

The Company has determined its investment in these tax credit funds were investments in variable interest entities ("VIEs"). The Company analyzes any investments in VIEs at inception and again if certain triggering events are identified to determine if it is the primary beneficiary. The Company considers a variety of factors in identifying the entity that holds the power to direct matters that most significantly impact the VIEs' economic performance including, but not limited to, the ability to direct financing, leasing, construction, and other operating decisions and activities. As of June 30, 2026, the Company had invested in five unconsolidated tax credit fund entities that were considered to be VIEs and concluded it was not the primary beneficiary of any of the entities, as it did not have the power to control the activities that most significantly impact the entities, and has therefore accounted for these investments using the equity method.

The Company's maximum exposure to losses associated with these VIEs is generally limited to its net investment, which was $11.0 million as of June 30, 2026, and was included in "Other assets, net" on the accompanying Condensed Consolidated Balance Sheets.

## NOTE 4 – FAIR VALUE MEASUREMENTS

The Company uses the fair value hierarchy, which prioritizes the inputs used to measure the fair value of certain of its financial instruments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The Company uses the income and market approaches to determine the fair value of its assets and liabilities. The three levels of the fair value hierarchy are set forth below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability.

*Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:*

The Company invests in various marketable securities with the intention of selling these securities to fulfill its future unsecured obligations under the Company's nonqualified deferred compensation plan. See Note 12 for further information concerning the Company's benefit plans.

The Company's marketable securities were accounted for as trading securities and the carrying amount of its marketable securities were included in "Other assets, net" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2026, and December 31, 2025. The Company recorded an increase in fair value related to its marketable securities in the amount of $6.6 million and $4.0 million for the three months ended June 30, 2026 and 2025, respectively, which were included in "Other income (expense)" on the accompanying Condensed Consolidated Statements of Income. The Company recorded an increase in fair value related to its marketable securities in the amount of $5.8 million and $3.4 million for the six months ended June 30, 2026 and 2025, respectively, which were included in "Other income (expense)" on the accompanying Condensed Consolidated Statements of Income.

The tables below identify the estimated fair value of the Company's marketable securities, determined by reference to quoted market prices (Level 1), as of June 30, 2026, and December 31, 2025 (in thousands):

| | **June 30, 2026** | | | |
|---|---|---|---|---|
| | **Quoted Prices in Active Markets for Identical Instruments (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total** |
| **Marketable securities** | **$ 70,938** | **$ —** | **$ —** | **$ 70,938** |

| | December 31, 2025 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Marketable securities | $ 67,840 | $ — | $ — | $ 67,840 |

*Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis:*

Certain long-lived non-financial assets and liabilities may be required to be measured at fair value on a nonrecurring basis in certain circumstances, including when there is evidence of impairment. These non-financial assets and liabilities may include assets acquired in a business combination or property and equipment that are determined to be impaired. As of June 30, 2026, and December 31, 2025, the Company did not have any non-financial assets or liabilities that had been measured at fair value subsequent to initial recognition.

*Fair Value of Financial Instruments:*

The carrying amounts of the Company's senior notes, unsecured revolving credit facility borrowings, and commercial paper program borrowings are included in "Long-term debt" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2026, and December 31, 2025.

The table below identifies the estimated fair value of the Company's senior notes, using the market approach. The fair value as of June 30, 2026, and December 31, 2025, was determined by reference to quoted market prices of the same or similar instruments (Level 2) (in thousands):

| | **June 30, 2026** | | December 31, 2025 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Estimated Fair Value** | Carrying Amount | Estimated Fair Value |
| Senior Notes | **$ 5,671,630** | **$ 5,599,366** | $ 5,327,587 | $ 5,308,675 |

The carrying amount of the Company's unsecured revolving credit facility approximates fair value (Level 2), as borrowings under the facility bear variable interest at current market rates. The carrying amount of the Company's commercial paper program approximates fair value (Level 2), as borrowings under the program bear interest at market rates prevailing at the time of issuance. See Note 7 for further information concerning the Company's senior notes, unsecured revolving credit facility, and commercial paper program.

The accompanying Condensed Consolidated Balance Sheets include other financial instruments, including cash and cash equivalents, accounts receivable, amounts receivable from suppliers, and accounts payable. Due to the short-term nature of these financial instruments, the Company believes that the carrying values of these instruments approximate their fair values.

**NOTE 5 – LEASES**

The Company leases certain office space, retail stores, distribution centers, and equipment under long-term, non-cancelable operating leases. The following table summarizes Total lease cost for the three and six months ended June 30, 2026 and 2025, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income (in thousands):

| | **For the Three Months Ended June 30,** | | **For the Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| Operating lease cost | **$ 118,090** | $ 114,271 | **$ 236,803** | $ 225,470 |
| Short-term operating lease cost | **4,535** | 2,105 | **6,521** | 4,884 |
| Variable operating lease cost | **33,627** | 32,249 | **66,258** | 64,974 |
| Sublease income | **(972)** | (1,025) | **(1,980)** | (2,272) |
| **Total lease cost** | **$ 155,280** | $ 147,600 | **$ 307,602** | $ 293,056 |

The following table summarizes other lease-related information for the six months ended June 30, 2026 and 2025:

| | **For the Six Months Ended June 30,** | |
|---|---|---|
| | **2026** | 2025 |
| Cash paid for amounts included in the measurement of operating lease liabilities: | | |
| Operating cash flows from operating leases | **$ 235,202** | $ 221,991 |
| Right-of-use assets obtained in exchange for new operating lease liabilities | **269,406** | 221,591 |

**NOTE 6 – SUPPLIER FINANCE PROGRAM**

The Company has established and maintains supplier finance programs with certain third-party financial institutions, which allow participating merchandise suppliers to voluntarily elect to assign the Company's payment obligations due to these merchandise suppliers to one of the designated third-party institutions. Under these supplier finance programs, the Company has agreed to pay the third-party financial institutions the stated amount of confirmed merchandise supplier invoices on the original maturity dates of the invoices, which are generally for a term of one year. The Company does not have any assets pledged as security or other forms of guarantees for the committed payment to the third-party financial institutions. As of June 30, 2026, and December 31, 2025, the Company had obligations outstanding under these programs for invoices that were confirmed as valid to the third-party financial institutions each in the amount of $5.1 billion, which were included as a component of "Accounts payable" on the accompanying Condensed Consolidated Balance Sheets.

## NOTE 7 – FINANCING

The following table identifies the amounts included in “Long-term debt” on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2026, and December 31, 2025 (in thousands):

| | June 30, 2026 | December 31, 2025 |
|---|---|---|
| Commercial paper program, weighted-average variable interest rate of 4.065% as of June 30, 2026 and 3.979% as of December 31, 2025 | **1,345,000** | 690,000 |
| 3.550% Senior Notes due 2026, effective interest rate of 3.570% | **—** | 500,000 |
| 5.750% Senior Notes due 2026, effective interest rate of 5.767% | **750,000** | 750,000 |
| 3.600% Senior Notes due 2027, effective interest rate of 3.619% | **750,000** | 750,000 |
| 4.350% Senior Notes due 2028, effective interest rate of 4.383% | **500,000** | 500,000 |
| 3.900% Senior Notes due 2029, effective interest rate of 3.901% | **500,000** | 500,000 |
| 4.200% Senior Notes due 2030, effective interest rate of 4.205% | **500,000** | 500,000 |
| 1.750% Senior Notes due 2031, effective interest rate of 1.798% | **500,000** | 500,000 |
| 4.700% Senior Notes due 2032, effective interest rate of 4.740% | **850,000** | 850,000 |
| 5.000% Senior Notes due 2034, effective interest rate of 5.028% | **500,000** | 500,000 |
| 5.100% Senior Notes due 2036, effective interest rate of 5.140% | **850,000** | — |
| Total principal amount of debt | **7,045,000** | 6,040,000 |
| Less: Unamortized discount and debt issuance costs | **30,457** | 23,096 |
| Total long-term debt | **$ 7,014,543** | $ 6,016,904 |

*Unsecured Revolving Credit Facility:*

The Company is party to a credit agreement dated June 15, 2021, as amended and restated by the First Amended and Restated Credit Agreement as of March 31, 2025 (the “Credit Agreement”). The Credit Agreement provides for a five-year $2.25 billion unsecured revolving credit facility (the “Revolving Credit Facility”) arranged by JPMorgan Chase Bank, N.A., which is scheduled to mature in March of 2030. The Credit Agreement includes a $200 million sub-limit for the issuance of letters of credit and a $75 million sub-limit for swing line borrowings under the Revolving Credit Facility. As described in the Credit Agreement governing the Revolving Credit Facility, the Company may, from time to time, subject to certain conditions, increase the aggregate commitments under the Revolving Credit Facility by up to $900 million, provided that the aggregate amount of the commitments does not exceed $3.15 billion at any time.

As of June 30, 2026, and December 31, 2025, the Company had outstanding letters of credit, primarily to support obligations related to workers’ compensation, general liability, and other insurance policies, under the Credit Agreement in the amount of $5.2 million and $5.3 million, respectively, reducing the aggregate availability under the Credit Agreement by those amounts. Substantially all of these outstanding letters of credit have a one-year term from the date of issuance. As of June 30, 2026, and December 31, 2025, the Company had no outstanding borrowings under its Revolving Credit Facility.

Borrowings under the Revolving Credit Facility (other than swing line loans) bear interest, at the Company’s option, at either an Alternate Base Rate or an Adjusted Term SOFR Rate (both as defined in the Credit Agreement) plus an applicable margin. Swing line loans made under the Revolving Credit Facility bear interest at an Alternate Base Rate plus the applicable margin for Alternate Base Rate loans. In addition, the Company pays a facility fee on the aggregate amount of the commitments under the Credit Agreement in an amount equal to a percentage of such commitments. The interest rate margins and facility fee are based upon the better of the ratings assigned to the Company’s debt by Moody’s Investor Service, Inc. and Standard & Poor’s Ratings Services, subject to limited exceptions. As of June 30, 2026, based upon the Company’s current credit ratings, its margin for Alternate Base Rate loans was 0.000%, its margin for Term Benchmark Revolving Loans was 0.900%, and its facility fee was 0.100%.

The Credit Agreement contains certain covenants, including limitations on subsidiary indebtedness, a minimum consolidated fixed charge coverage ratio of 2.50:1.00 and a maximum consolidated leverage ratio of 3.50:1.00. The consolidated fixed charge coverage ratio includes a calculation of earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense to fixed charges. Fixed charges include interest expense, capitalized interest, and rent expense. The consolidated leverage ratio includes a calculation of adjusted debt to earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit, and similar instruments, five-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that the Company should default on any covenant (subject to customary grace periods, cure rights, and materiality thresholds) contained in the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of commitments, immediate payment of outstanding principal amounts plus accrued interest and other amounts payable under the Credit Agreement, and litigation from lenders. As of June 30, 2026, the Company remained in compliance with all covenants under the Credit Agreement.

In addition to the letters of credit issued under the Credit Agreement described above, as of June 30, 2026, and December 31, 2025, the Company had additional outstanding letters of credit, primarily to support obligations under workers’ compensation, general liability, and other insurance policies, in the amount of $192.6 million and $150.4 million, respectively. Substantially all of these letters of credit have a one-year term from the date of issuance and were not issued under the Company's Credit Agreement or another committed facility.

*Commercial Paper Program:*

On August 9, 2023, the Company established a commercial paper program (the "Program") pursuant to which it may issue short-term, unsecured commercial paper notes (the "Notes") under the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933, as amended. Amounts available under the Program may be borrowed, repaid, and re-borrowed from time to time, with the aggregate face or principal amount of the Notes outstanding under the Program at any time not to exceed $2.25 billion. The Notes will have maturities of up to 397 days from the date of issue. The Notes rank at least pari passu with all of the Company's other unsecured and unsubordinated indebtedness. The Company plans to use its Revolving Credit Facility as a liquidity backstop for the repayment of Notes outstanding under the Program. The Notes issued under the Program were included in "Long-term debt" on the accompanying Condensed Consolidated Balance Sheet as of June 30, 2026 and December 31, 2025, as the Company has the ability and intent to refinance these Notes on a long-term basis.

*Senior Notes:*

On March 12, 2026, the Company issued $850 million aggregate principal amount of unsecured 5.100% Senior Notes due 2036 ("5.100% Senior Notes due 2036") at a price to the public of 99.690% of their face value with U.S. Bank Trust Company, National Association ("U.S. Bank") as trustee. Interest on the 5.100% Senior Notes due 2036 is payable on March 12 and September 12 of each year, beginning on September 12, 2026, and is computed on the basis of a 360-day year.

As of June 30, 2026, the Company has issued and outstanding a cumulative $5.7 billion aggregate principal amount of unsecured senior notes, which are due between 2026 and 2036, with UMB Bank, N.A. and U.S. Bank Trust Company, National Association as trustees. Interest on the senior notes, ranging from 1.750% to 5.750%, is payable semi-annually and is computed on the basis of a 360-day year. The $750 million aggregate principal amount of unsecured 5.750% Senior Notes due 2026 were included in "Long-term debt" on the accompanying Condensed Consolidated Balance Sheet as of June 30, 2026, as the Company has the ability and intent to refinance these notes on a long-term basis. None of the Company's subsidiaries is a guarantor under the senior notes. Each of the senior notes is subject to certain customary covenants, with which the Company complied as of June 30, 2026.

## NOTE 8 – WARRANTIES

The Company provides warranties on certain merchandise it sells with warranty periods ranging from 30 days to limited lifetime warranties. The risk of loss arising from warranty claims is typically the obligation of the Company's suppliers. Certain suppliers provide upfront allowances to the Company in lieu of accepting the obligation for warranty claims. For this merchandise, when sold, the Company bears the risk of loss associated with the cost of warranty claims. Differences between supplier allowances received by the Company, in lieu of warranty obligations and estimated warranty expense, are recorded as an adjustment to cost of sales. Estimated warranty costs, which are recorded as obligations at the time of sale, are based on the historical failure rate of each individual product line. The Company's historical experience has been that failure rates are relatively consistent over time and that the ultimate cost of warranty claims to the Company has been driven by volume of units sold as opposed to fluctuations in failure rates or the variation of the cost of individual claims.

The Company's product warranty liabilities are included in "Other current liabilities" on the accompanying Condensed Consolidated Balance Sheets as of June 30, 2026, and December 31, 2025; the following table identifies the changes in the Company's aggregate product warranty liabilities for the six months ended June 30, 2026 (in thousands):

| | | |
|---|---|---|
| Warranty liabilities, balance at December 31, 2025 | $ | 146,279 |
| Warranty claims | | (131,345) |
| Warranty accruals | | 143,656 |
| Foreign currency translation | | 17 |
| **Warranty liabilities, balance at June 30, 2026** | **$** | **158,607** |

## NOTE 9 – SHARE REPURCHASE PROGRAM

In January of 2011, the Company's Board of Directors approved a share repurchase program. Under the program, the Company may, from time to time, repurchase shares of its common stock, solely through open market purchases effected through a broker dealer at prevailing market prices, based on a variety of factors such as price, corporate trading policy requirements, and overall market conditions. The Company's Board of Directors may increase or otherwise modify, renew, suspend, or terminate the share repurchase program at any time, without prior notice. As announced on November 22, 2024, November 18, 2025, and June 1, 2026, the Company's Board of Directors each time approved a resolution to increase the authorization amount under the share repurchase program by an additional $2.0 billion, resulting in a cumulative authorization amount of $31.8 billion. The additional authorizations are effective for three years, beginning on their respective announcement date.

The following table identifies shares of the Company's common stock that have been repurchased as part of the Company's publicly announced share repurchase program for the three and six months ended June 30, 2026 and 2025 (in thousands, except per share data):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| Shares repurchased | **16,702** | 6,804 | **26,684** | 13,273 |
| Average price per share | **$ 90.40** | $ 90.71 | **$ 91.17** | $ 88.65 |
| Total investment | **$ 1,509,908** | $ 617,184 | **$ 2,432,756** | $ 1,176,612 |

As of June 30, 2026, the Company had $2.0 billion remaining under its share repurchase authorization. Excise tax on shares repurchased, assessed at one percent of the fair market value of shares repurchased, was $24.3 million for the six months ended June 30, 2026.

Subsequent to the end of the second quarter and through August 7, 2026, the Company repurchased 7.6 million additional shares of its common stock under its share repurchase program, at an average price of $87.01, for a total investment of $658.5 million. The Company has repurchased a total of 1.5 billion shares of its common stock under its share repurchase program since the inception of the program in January of 2011 and through August 7, 2026, at an average price of $20.33, for a total aggregate investment of $30.4 billion.

## NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes adjustments for foreign currency translations. The tables below summarize activity for changes in accumulated other comprehensive income (loss) for the three and six months ended June 30, 2026 and 2025 (in thousands):

| | Foreign Currency [1] | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|
| Accumulated other comprehensive income, balance at March 31, 2026 | $ 25,260 | $ 25,260 |
| Change in accumulated other comprehensive income | 10,312 | 10,312 |
| **Accumulated other comprehensive income, balance at June 30, 2026** | **$ 35,572** | **$ 35,572** |

| | Foreign Currency [1] | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|
| Accumulated other comprehensive income, balance at December 31, 2025 | $ 26,754 | $ 26,754 |
| Change in accumulated other comprehensive income | 8,818 | 8,818 |
| **Accumulated other comprehensive income, balance at June 30, 2026** | **$ 35,572** | **$ 35,572** |

| | Foreign Currency [1] | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|
| Accumulated other comprehensive loss, balance at March 31, 2025 | $ (36,835) | $ (36,835) |
| Change in accumulated other comprehensive income | 45,400 | 45,400 |
| **Accumulated other comprehensive income, balance at June 30, 2025** | **$ 8,565** | **$ 8,565** |

| | Foreign Currency [1] | Total Accumulated Other Comprehensive Income (Loss) |
|---|---|---|
| Accumulated other comprehensive loss, balance at December 31, 2024 | $ (42,813) | $ (42,813) |
| Change in accumulated other comprehensive income | 51,378 | 51,378 |
| **Accumulated other comprehensive income, balance at June 30, 2025** | **$ 8,565** | **$ 8,565** |

(1) Foreign currency translation is not shown net of additional U.S. tax, as other basis differences of non-U.S. subsidiaries are intended to be permanently reinvested.

**NOTE 11 – REVENUE**

The table below identifies the Company's revenues disaggregated by major customer type for the three and six months ended June 30, 2026 and 2025 (in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| Sales to do-it-yourself customers | **$ 2,336,858** | $ 2,228,566 | **$ 4,526,990** | $ 4,280,425 |
| Sales to professional service provider customers | **2,469,582** | 2,195,840 | **4,760,366** | 4,194,433 |
| Other sales and sales adjustments | **85,573** | 100,652 | **165,196** | 187,124 |
| Total sales | **$ 4,892,013** | $ 4,525,058 | **$ 9,452,552** | $ 8,661,982 |

See Note 8 for information concerning the expected costs associated with the Company's assurance warranty obligations.

**NOTE 12 – SHARE-BASED COMPENSATION AND BENEFIT PLANS**

The Company recognizes share-based compensation expense based on the fair value of the grants, awards, or shares at the time of the grant, award, or issuance. Share-based compensation includes stock option awards, restricted stock awards, and stock appreciation rights issued under the Company's incentive plans and stock issued through the Company's employee stock purchase plan.

*Stock Options:*

The Company's incentive plans provide for the granting of stock options for the purchase of common stock of the Company to certain key employees of the Company. Employee stock options are granted at an exercise price that is equal to the closing market price of the Company's common stock on the date of the grant. Employee stock options granted under the plans expire after 10 years and typically vest 25% per year, over four years. The Company records compensation expense for the grant date fair value of the option awards evenly over the vesting period or minimum required service period.

The table below identifies stock option activity under these plans during the six months ended June 30, 2026 (in thousands, except per share data):

| | Shares (in thousands) | Weighted- Average Exercise Price |
|---|---|---|
| Outstanding at December 31, 2025 | 8,184 | $ 44.70 |
| Granted | 817 | 93.53 |
| Exercised | (725) | 30.66 |
| Forfeited or expired | (107) | 75.21 |
| **Outstanding at June 30, 2026** | **8,169** | **$ 50.42** |
| **Exercisable at June 30, 2026** | **5,797** | **$ 37.68** |

The fair value of each stock option award is estimated on the date of the grant using the Black-Scholes option pricing model. The Black-Scholes model requires the use of assumptions, including the risk-free rate, expected life, expected volatility, and expected dividend yield.

- *Risk-free interest rate* – The United States Treasury rates in effect at the time the options are granted for the options' expected life.
- *Expected life* – Represents the period of time that options granted are expected to be outstanding. The Company uses historical experience to estimate the expected life of options granted.
- *Expected volatility* – Measure of the amount, by which the Company's stock price is expected to fluctuate, based on a historical trend.
- *Expected dividend yield* – The Company has not paid, nor does it have plans in the foreseeable future to pay, any dividends.

The table below identifies the weighted-average assumptions used for grants awarded during the six months ended June 30, 2026 and 2025:

| | **June 30,** | |
|---|---|---|
| | **2026** | 2025 |
| Risk free interest rate | **4.04 %** | 4.24 % |
| Expected life | **6.8 Years** | 6.7 Years |
| Expected volatility | **25.7 %** | 26.9 % |
| Expected dividend yield | **— %** | — % |

The following table summarizes activity related to stock options awarded by the Company for the three and six months ended June 30, 2026 and 2025 (in thousands, except per share data):

| | **For the Three Months Ended June 30,** | | **For the Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| Compensation expense for stock options awarded | **$ 6,833** | $ 8,732 | **$ 13,747** | $ 15,630 |
| Income tax benefit from compensation expense related to stock options | **1,715** | 2,170 | **3,450** | 3,884 |

The weighted-average grant-date fair value of options granted during the six months ended June 30, 2026, was $34.50, compared to $33.31 for the six months ended June 30, 2025. The remaining unrecognized compensation expense related to unvested stock option awards at June 30, 2026, was $55.8 million, and the weighted-average period of time over which this cost will be recognized is 2.8 years.

*Other Share-Based Compensation Plans:*

The Company sponsors other share-based compensation plans: incentive plans that provide for the awarding of shares of restricted stock and stock appreciation rights and an employee stock purchase plan (the "ESPP"), which permits eligible employees to purchase shares of the Company's common stock at 85% of the fair market value. The Company recorded compensation expense for these other share-based compensation plans in the amount of $1.7 million and $0.3 million for the three months ended June 30, 2026 and 2025, respectively, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income. The Company recorded compensation expense for these other share-based compensation plans in the amount of $3.5 million and $4.5 million for the six months ended June 30, 2026 and 2025, respectively, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income.

*Benefit Plans:*

The Company sponsors a contributory profit sharing and savings plan (the "401(k) Plan") that covers substantially all employees who are at least 21 years of age and a nonqualified deferred compensation plan (the "Deferred Compensation Plan") for highly compensated employees whose contributions to the 401(k) Plan are limited due to the application of the annual limitations under the Internal Revenue Code. The Company expensed matching contributions under these plans in the amount of $15.4 million and $14.3 million for the three months ended June 30, 2026 and 2025, respectively, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income. The Company expensed matching contributions under these plans in the amount of $31.2 million and $28.3 million for the six months ended June 30, 2026 and 2025, respectively, which were primarily included in "Selling, general and administrative expenses" on the accompanying Condensed Consolidated Statements of Income. See Note 4 for further information concerning the Company's marketable securities held to fulfill its future unsecured obligations under the Deferred Compensation Plan.

## NOTE 13 – EARNINGS PER SHARE

The following table illustrates the computation of basic and diluted earnings per share for the three and six months ended June 30, 2026 and 2025 (in thousands, except per share data):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2026** | 2025 | **2026** | 2025 |
| **Numerator (basic and diluted):** | | | | |
| Net income | **$ 715,064** | $ 668,595 | **$ 1,319,245** | $ 1,207,080 |
| **Denominator:** | | | | |
| Weighted-average common shares outstanding – basic | **825,197** | 854,003 | **831,853** | 856,768 |
| Effect of stock options [1] | **3,678** | 4,437 | **3,808** | 4,600 |
| Weighted-average common shares outstanding – assuming dilution | **828,875** | 858,440 | **835,661** | 861,368 |
| **Earnings per share:** | | | | |
| Earnings per share-basic | **$ 0.87** | $ 0.78 | **$ 1.59** | $ 1.41 |
| Earnings per share-assuming dilution | **$ 0.86** | $ 0.78 | **$ 1.58** | $ 1.40 |
| **Antidilutive potential common shares not included in the calculation of diluted earnings per share:** | | | | |
| Stock options [1] | **1,625** | 1,240 | **1,625** | 1,513 |
| Weighted-average exercise price per share of antidilutive stock options [1] | **$ 91.22** | $ 82.24 | **$ 90.96** | $ 78.64 |

[1] See Note 12 for further information concerning the terms of the Company's share-based compensation plans.

For the three and six months ended June 30, 2026 and 2025, the computation of diluted earnings per share did not include certain securities. These securities represent underlying stock options not included in the computation of diluted earnings per share, because the inclusion of such equity awards would have been antidilutive.

See Note 9 for information concerning the Company's subsequent share repurchases.

## NOTE 14 – LEGAL MATTERS

The Company is currently involved in litigation incidental to the ordinary conduct of the Company's business. Based on existing facts and historical patterns, the Company accrues for litigation losses in instances where an adverse outcome is probable and the Company is able to reasonably estimate the probable loss in accordance with Accounting Standard Codification 450-20. The Company also accrues for an estimate of legal costs to be incurred for litigation matters. Although the Company cannot ascertain the amount of liability that it may incur from legal matters, it does not currently believe that, in the aggregate, these matters, taking into account applicable insurance and accruals, will have a material adverse effect on its consolidated financial position, results of operations, or cash flows in a particular quarter or annual period.

## NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS

In November of 2024, the FASB issued ASU No. 2024-03, "Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" ("ASU 2024-03"). Under ASU 2024-03, a public entity would be required to disclose information about purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion for each income statement line item that contains those expenses. Entities would also have to disclose other specific expenses, gains, or losses that are already required to be disclosed under GAAP in this same disclosure, a qualitative description of the amounts remaining that are not separately disaggregated quantitatively, and the total amount of selling expenses, as well as an entity's definition of selling expenses. ASU 2024-03 is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. ASU 2024-03 allows for early adoption and requires either prospective adoption to financial statements issued for reporting periods after the effective date of ASU 2024-03 or retrospectively to any or all prior periods presented in the financial statements. The Company will adopt this guidance beginning with its fourth quarter ending December 31, 2027. The application of this new guidance is not expected to have a material impact on the Company's consolidated financial condition, results of operations, or cash flows, as the guidance pertains to disclosure only.

In September of 2025, the FASB issued ASU No. 2025-06, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software" ("ASU 2025-06"). ASU 2025-06 modernizes the accounting for software costs related to internal-use software. Under ASU 2025-06, public entities would be required to start capitalizing software costs when two thresholds are met: management has authorized and committed to funding the software project and it is probable that the project will be completed and the software will be used to perform the function intended. ASU 2025-06 will also require entities to follow different disclosure requirements for capitalized internal-use software costs. ASU 2025-06 is effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted and allows for prospective, modified, or retrospective transition approach. The Company will adopt this guidance beginning with its first quarter ending March 31, 2028. The application of this new guidance is not expected to have a material impact on the Company's consolidated financial condition, results of operations, or cash flows.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Unless otherwise indicated, "we," "us," "our," and similar terms, as well as references to the "Company" or "O'Reilly," refer to O'Reilly Automotive, Inc. and its subsidiaries.

In Management's Discussion and Analysis, we provide a historical and prospective narrative of our general financial condition, results of operations, liquidity, and certain other factors that may affect our future results, including

- an overview of the key drivers and other influences on the automotive aftermarket industry;
- our results of operations for the three and six months ended June 30, 2026 and 2025;
- our liquidity and capital resources;
- our critical accounting estimates; and
- recent accounting pronouncements that may affect our Company.

The review of Management's Discussion and Analysis should be made in conjunction with our condensed consolidated financial statements, related notes and other financial information, forward-looking statements, and other risk factors included elsewhere in this quarterly report.

**FORWARD-LOOKING STATEMENTS**

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as "estimate," "may," "could," "will," "believe," "expect," "would," "consider," "should," "anticipate," "project," "plan," "intend," or similar words. In addition, statements contained within this quarterly report that are not historical facts are forward-looking statements, such as statements discussing, among other things, expected growth, store development, integration and expansion strategy, business strategies, future revenues, and future performance. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events and results. Such statements are subject to risks, uncertainties, and assumptions, including, but not limited to, the economy in general; inflation; consumer debt levels; product demand; a public health crisis; the market for auto parts; competition; weather; trade disputes and changes in trade policies, including the imposition of new or increased tariffs; availability of key products and supply chain disruptions; business interruptions, including terrorist activities, war and the threat of war; failure to protect our brand and reputation; challenges in international markets; volatility of the market price of our common stock; our increased debt levels; credit ratings on public debt; damage, failure, or interruption of information technology systems, including information security and cyber-attacks; historical growth rate sustainability; our ability to hire and retain qualified employees; risks associated with the performance of acquired businesses; and governmental regulations. Actual results may materially differ from anticipated results described or implied in these forward-looking statements. Please refer to the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2025, and subsequent Securities and Exchange Commission filings, for additional factors that could materially affect our financial performance. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

**OVERVIEW**

We are a specialty retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories in the United States, Puerto Rico, Mexico, and Canada. We are one of the largest North American automotive aftermarket specialty retailers, selling our products to both DIY customers and professional service providers – our "dual market strategy." Our goal is to achieve growth in sales and profitability by capitalizing on our competitive advantages, such as our dual market strategy, superior customer service provided by well-trained and technically proficient Team Members, and strategic distribution and hub store network that provides same day and over-night inventory access for our stores to offer a broad selection of product offerings. The successful execution of our growth strategy includes aggressively opening new stores, growing sales in existing stores, continually enhancing merchandising and store layouts, and implementing our Omnichannel initiatives. As of June 30, 2026, we operated 6,541 stores in 48 U.S. states and Puerto Rico, 126 stores in Mexico, and 28 stores in Canada.

The extensive product line offered in our stores consists of new and remanufactured automotive hard parts, maintenance items, accessories, a complete line of auto body paint and related materials, automotive tools, and professional service provider service equipment. Our extensive product line includes an assortment of products that are differentiated by quality and price for most of the product lines we offer. For many of our product offerings, this quality differentiation reflects "good," "better," and "best" alternatives. Our sales and total gross profit dollars are, generally, highest for the "best" quality category of products. Consumers' willingness to select products at a higher point on the value spectrum is a driver of enhanced sales and profitability in our industry. We have ongoing initiatives focused on marketing and training to educate customers on the advantages of ongoing vehicle maintenance, as well as "purchasing up" on the value spectrum.

Our stores also offer enhanced services and programs to our customers, including used oil, oil filter, and battery recycling; battery, wiper, and bulb replacement; battery diagnostic testing; electrical and module testing; check engine light code extraction through our trusted VeriScan technology, which provides diagnostic information with possible repair fixes; referrals to trusted local repair shops; loaner tool program; drum and rotor resurfacing; custom hydraulic hoses; professional paint shop mixing and related materials; and machine shops.

Our business is influenced by a number of general macroeconomic factors that impact both our industry and consumers, including, but not limited to, inflation, tariffs, fuel and energy costs, unemployment trends, interest rates, and other economic factors. Future changes, such as continued broad-based inflation and rapid fuel cost increases that exceed wage growth, may negatively impact our consumers' level of disposable income, and we cannot predict the degree these changes, or other future changes, may have on our business or industry.

We believe the key drivers of demand over the long-term for the products sold within the automotive aftermarket include the number of miles driven, number of registered vehicles, annual rate of light vehicle sales, and average vehicle age. Currently, our consolidated revenue is primarily generated within the United States.

*Number of Miles Driven*

The number of total miles driven influences the demand for repair and maintenance products sold within the automotive aftermarket. In the U.S., vehicles are driven approximately three trillion miles per year, resulting in ongoing wear and tear and a corresponding continued demand for the repair and maintenance products necessary to keep these vehicles in operation. According to the U.S. Department of Transportation, the number of total miles driven in the U.S. increased 1.0% and 0.9% in 2024 and 2025, respectively, and year-to-date through May of 2026, miles driven have increased 0.8%. Total miles driven can be impacted by macroeconomic factors, including rapid increases in fuel cost, but we are unable to predict the degree of impact these factors may have on miles driven in the future.

*Size and Age of the Vehicle Fleet*

The total number of vehicles on the road and the average age of the vehicle population heavily influence the demand for products sold within the automotive aftermarket industry. As reported by the Auto Care Association, the total number of U.S. registered vehicles increased 12.3% from 2015 to 2025, bringing the number of light vehicles on the road to 289 million by the end of 2025. For the year ended December 31, 2025, the seasonally adjusted annual rate of light vehicle sales in the U.S. ("SAAR") was approximately 16.0 million vehicles, and for 2026, the SAAR is estimated to be approximately 16.5 million vehicles, contributing to the continued growth in the total number of registered vehicles on the road. From 2015 to 2025, U.S. vehicle scrappage rates have remained relatively stable, ranging from 4.1% to 5.6% annually. As a result, over the past decade, the average age of the U.S. vehicle population has increased 11.3%, from 11.5 years in 2015 to 12.8 years in 2025. While the annual changes to the vehicle population resulting from new vehicle sales and the fluctuation in vehicle scrappage rates in any given year represent a small percentage of the total light vehicle population and have a muted impact on the total number and average age of vehicles on the road over the short term, we believe our business benefits from rising average new and used vehicle prices, as consumers are generally more willing to continue to invest in their current vehicle.

We believe the increase in average vehicle age over the long term can be attributed to better engineered and manufactured vehicles, which can be reliably driven at higher mileages due to better quality power trains, interiors and exteriors, coupled with consumers' willingness to invest in maintaining these higher-mileage, better built vehicles. As the average age of vehicles on the road increases, a larger percentage of miles are being driven by vehicles that are outside of a manufacturer warranty. These out-of-warranty, older vehicles generate strong demand for automotive aftermarket products as they go through more routine maintenance cycles, have more frequent mechanical failures, and generally require more maintenance than newer vehicles. We believe consumers will continue to invest in these reliable, higher-quality, higher-mileage vehicles, and these investments, along with an increasing total light vehicle fleet, will support continued demand for automotive aftermarket products.

Inflationary cost pressures impact our business; however, historically we have been successful, in many cases, in reducing the effects of merchandise cost increases, principally by taking advantage of supplier incentive programs and economies of scale resulting from increased volume of purchases, and selective forward buying. To the extent our acquisition costs increase due to base commodity price increases or other input cost increases affecting the entire industry, we have typically been able to pass along these cost increases through higher selling prices for the affected products. As a result, we do not believe inflation has had a material adverse effect on our operating results.

To some extent, our business is seasonal, primarily as a result of the impact of weather conditions on customer buying patterns. While we have historically realized operating profits in each quarter of the year, our store sales and profits have historically been higher in the second and third quarters (April through September) than in the first and fourth quarters (October through March) of the year.

We remain confident in our ability to gain market share in our existing markets and grow our business in new markets by focusing on our dual market strategy and the core O'Reilly values of hard work and excellent customer service.

## RESULTS OF OPERATIONS

Sales:

Sales for the three months ended June 30, 2026, increased $367 million, or 8%, to $4.89 billion from $4.53 billion for the same period one year ago. Sales for the six months ended June 30, 2026, increased $791 million, or 9%, to $9.45 billion from $8.66 billion for the same period one year ago. Comparable store sales increased 6.0% and 4.1% for the three months ended June 30, 2026 and 2025, respectively. Comparable store sales increased 7.0% and 3.9% for the six months ended June 30, 2026 and 2025, respectively. Comparable store sales are calculated based on the change in sales for U.S. stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores, and sales to Team Members. Online sales for ship-to-home orders and pick-up-in-store orders for U.S. stores open at least one year are included in the comparable store sales calculation. We opened 51 and 110 net, new stores during the three and six months ended June 30, 2026, respectively, compared to opening 67 and 105 net, new stores during the three and six months ended June 30, 2025, respectively. We anticipate total new store growth to be 225 to 235 net, new store openings in 2026.

The increase in sales for the three months ended June 30, 2026, was primarily the result of the 6.0% increase in domestic comparable store sales and a $100 million increase in sales from new stores opened in 2025 and 2026 that are not considered comparable stores. The increase in sales for the six months ended June 30, 2026, was primarily the result of the 7.0% increase in domestic comparable store sales and a $191 million increase in sales from new stores opened in 2025 and 2026 that are not considered comparable stores. Our comparable store sales increases for the three and six months ended June 30, 2026, were driven by an increase in average ticket values for both professional service provider and DIY customers and an increase in transaction counts for professional service provider customers, partially offset by a decrease in transaction counts for DIY customers. Average ticket values benefited from increases in average selling prices on a same-SKU basis, as compared to the same period in 2025. Average ticket values continue to be positively impacted by the increasing complexity and cost of replacement parts necessary to maintain the current population of better-engineered and more technically advanced vehicles. These better-engineered, more technically advanced vehicles require less frequent repairs, as the component parts are more durable and last for longer periods of time. The resulting decrease in repair frequency creates pressure on customer transaction counts; however, when repairs are needed, the cost of replacement parts is, on average, greater, which is a benefit to average ticket values.

See Note 11 "Revenue" to the Condensed Consolidated Financial Statements for further information concerning the Company's sales.

Gross Profit:

Gross profit for the three months ended June 30, 2026, increased 8% to $2.52 billion (or 51.4% of sales) from $2.33 billion (or 51.4% of sales) for the same period one year ago. Gross profit for the six months ended June 30, 2026, increased 9% to $4.86 billion (or 51.5% of sales) from $4.45 billion (or 51.4% of sales) for the same period one year ago. The increases in gross profit dollars for the three and six months ended June 30, 2026, were primarily the result of the increase in comparable store sales at existing stores and sales from new stores. The increases in gross profit as a percentage of sales for the three and six months ended June 30, 2026, were primarily due to improved acquisition costs and distribution operating efficiencies, partially offset by a greater percentage of our total sales mix being generated from professional service provider customers, which carry a lower gross margin percentage than DIY sales.

Selling, General and Administrative Expenses:

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2026, increased 8% to $1.53 billion (or 31.3% of sales) from $1.41 billion (or 31.2% of sales) for the same period one year ago. SG&A for the six months ended June 30, 2026, increased 9% to $3.04 billion (or 32.1% of sales) from $2.79 billion (or 32.2% of sales) for the same period one year ago. The increases in total SG&A dollars for the three and six months ended June 30, 2026, were primarily the result of additional Team Members and operating expenses to support our increased sales and store count. The increase in SG&A as a percentage of sales for the three months ended June 30, 2026, was principally due to inflationary pressure in costs and higher costs relating to medical and casualty insurance programs, partially offset by leverage of store operating costs on strong comparable store sales. The decrease in SG&A as a percentage of sales for the six months ended June 30, 2026, was principally due to leverage of store operating costs on strong comparable store sales, partially offset by inflationary pressure in costs and higher costs relating to medical and casualty insurance programs.

Operating Income:

As a result of the impact discussed above, operating income for the three months ended June 30, 2026, increased 8% to $986 million (or 20.2% of sales), from $914 million (or 20.2% of sales) for the same period one year ago. As a result of the impacts discussed above, operating income for the six months ended June 30, 2026, increased 10% to $1.83 billion (or 19.3% of sales) from $1.66 billion (or 19.1% of sales) for the same period one year ago.

Other Income and Expense:

Total other expense for the three months ended June 30, 2026, increased 16% to $62 million (or 1.3% of sales) from $53 million (or 1.2% of sales) for the same period one year ago. Total other expense for the six months ended June 30, 2026, increased 12% to $123 million (or 1.3% of sales) from $110 million (or 1.3% of sales) for the same period one year ago. The increases in total other expense for the three and six months ended June 30, 2026, were the result of increased interest expense on higher average outstanding borrowings.

Income Taxes:

Our provision for income taxes for the three months ended June 30, 2026, increased 8% to $209 million (22.6% effective tax rate) from $193 million (22.4% effective tax rate) for the same period one year ago. Our provision for income taxes for the six months ended June 30, 2026, increased 14% to $385 million (22.6% effective tax rate) from $339 million (21.9% effective tax rate) for the same period one year ago. The increases in our provision for income taxes for the three and six months ended June 30, 2026, were the result of the higher taxable income and lower excess tax benefits from share-based compensation. The increases in our effective tax rate for the three and six months ended June 30, 2026, were primarily the result of lower excess tax benefits from share-based compensation.

Net Income:

As a result of the impacts discussed above, net income for the three months ended June 30, 2026, increased 7% to $715 million (or 14.6% of sales) from $669 million (or 14.8% of sales) for the same period one year ago. As a result of the impacts discussed above, net income for the six months ended June 30, 2026, increased 9% to $1.32 billion (or 14.0% of sales) from $1.21 billion (or 13.9% of sales) for the same period one year ago.

Earnings Per Share:

Our diluted earnings per common share for the three months ended June 30, 2026, increased 10% to $0.86 on 829 million shares from $0.78 on 858 million shares for the same period one year ago. Our diluted earnings per common share for the six months ended June 30, 2026, increased 13% to $1.58 on 836 million shares from $1.40 on 861 million shares for the same period one year ago.

## LIQUIDITY AND CAPITAL RESOURCES

Our long-term business strategy requires capital to maintain and enhance our existing stores, invest to open new stores, fund strategic acquisitions, expand distribution infrastructure, and develop enhanced information technology systems and tools and may include the opportunistic repurchase of shares of our common stock through our Board-approved share repurchase program. Our material cash requirements necessary to maintain the current operations of our long-term business strategy include, but are not limited to, inventory purchases; human capital obligations, including payroll and benefits; contractual obligations, including debt and interest obligations; capital expenditures; payment of income taxes; and other operational priorities. We expect to fund our short- and long-term cash and capital requirements with our primary sources of liquidity, which include funds generated from the normal course of our business operations, borrowings under our unsecured revolving credit facility and our commercial paper program, and senior note offerings. However, there can be no assurance that we will continue to generate cash flows or maintain liquidity at or above recent levels, as we are unable to predict decreased demand for our products or changes in customer buying patterns. Additionally, these factors could also impact our ability to meet the debt covenants of our credit agreement and, therefore, negatively impact the funds available under our unsecured revolving credit facility.

There have been no material changes to the contractual obligations, to which we are committed, since those discussed in our annual report on Form 10-K for the year ended December 31, 2025.

The following table identifies cash provided by/(used in) our operating, investing and financing activities for the six months ended June 30, 2026 and 2025 (in thousands):

| **Liquidity:** | **For the Six Months Ended June 30, 2026** | **2025** |
|---|---|---|
| Total cash provided by/(used in): | | |
| Operating activities | **$ 2,039,412** | $ 1,511,966 |
| Investing activities | **(549,675)** | (594,998) |
| Financing activities | **(1,421,650)** | (850,815) |
| Effect of exchange rate changes on cash | **301** | 2,215 |
| Net increase in cash and cash equivalents | **$ 68,388** | $ 68,368 |
| | | |
| Capital expenditures | **$ 552,050** | $ 587,685 |
| Free cash flow [(1)] | **1,477,816** | 904,008 |

(1) Calculated as net cash provided by operating activities, less capital expenditures, excess tax benefit from share-based compensation payments, and investment in tax credit equity investments for the period, if applicable. See page 21 for the reconciliation of the calculation of free cash flow.

*Operating Activities:*

The increase in net cash provided by operating activities during the six months ended June 30, 2026, compared to the same period in 2025, was primarily due to the timing of payment for transferrable federal renewable energy tax credits and an increase in operating income, partially offset by a prepaid income taxes position at the end of the current period, versus an increase in a net taxes payable position for the same period in 2025.

*Investing Activities:*

The decrease in net cash used in investing activities during the six months ended June 30, 2026, compared to the same period in 2025, was the result of a decrease in capital expenditures, which was primarily attributable to the timing of store and distribution expansion and enhancement projects in the current period compared to the same period in 2025.

*Financing Activities:*

The increase in net cash used in financing activities during the six months ended June 30, 2026, compared to the same period in 2025, was attributable to an increase in repurchases of our common stock and the redemption of $500 million aggregate principal amount of senior notes, partially offset by the issuance of $850 million aggregate principal amount of senior notes in the current period and net borrowings on the Company's commercial paper program.

*Debt Instruments:*

See Note 7 "Financing" to the Condensed Consolidated Financial Statements for information concerning the Company's credit agreement, unsecured revolving credit facility, outstanding letters of credit, commercial paper program, and unsecured senior notes.

*Debt Covenants:*

The indentures governing our senior notes contain covenants that limit our ability and the ability of certain of our subsidiaries to, among other things, create certain liens on assets to secure certain debt and enter into certain sale and leaseback transactions, and limit our ability to merge or consolidate with another company or transfer all or substantially all of our property, in each case as set forth in the indentures. These covenants are, however, subject to a number of important limitations and exceptions. As of June 30, 2026, we were in compliance with the covenants applicable to our senior notes.

The Credit Agreement contains certain covenants, including limitations on indebtedness, a minimum consolidated fixed charge coverage ratio of 2.50:1.00 and a maximum consolidated leverage ratio of 3.50:1.00. The consolidated fixed charge coverage ratio includes a calculation of earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense to fixed charges. Fixed charges include interest expense, capitalized interest, and rent expense. The consolidated leverage ratio includes a calculation of adjusted debt to earnings before interest, taxes, depreciation, amortization, rent, and non-cash share-based compensation expense. Adjusted debt includes outstanding debt, outstanding stand-by letters of credit, and similar instruments, five-times rent expense and excludes any premium or discount recorded in conjunction with the issuance of long-term debt. In the event that we should default on any covenant contained within the Credit Agreement, certain actions may be taken, including, but not limited to, possible termination of commitments, immediate payment of outstanding principal amounts plus accrued interest and other amounts payable under the Credit Agreement, and litigation from our lenders.

We had a consolidated fixed charge coverage ratio of 6.11 times and 6.02 times as of June 30, 2026 and 2025, respectively, and a consolidated leverage ratio of 2.07 times and 1.95 times as of June 30, 2026 and 2025, respectively, remaining in compliance with all covenants related to the borrowing arrangements.

The table below outlines the calculations of the consolidated fixed charge coverage ratio and consolidated leverage ratio covenants, as defined in the Credit Agreement governing the Revolving Credit Facility, for the twelve months ended June 30, 2026 and 2025 (dollars in thousands):

| | For the Twelve Months Ended June 30, | |
|---|---|---|
| | **2026** | 2025 |
| GAAP net income | **$ 2,650,374** | $ 2,423,674 |
| Add: Interest expense | **252,779** | 225,470 |
| Rent expense [1] | **505,125** | 472,425 |
| Provision for income taxes | **748,155** | 655,250 |
| Depreciation expense | **533,595** | 480,914 |
| Amortization expense | **4,119** | 5,252 |
| Non-cash share-based compensation | **33,815** | 33,514 |
| Non-GAAP EBITDAR | **$ 4,727,962** | $ 4,296,499 |
| | | |
| Interest expense | **$ 252,779** | $ 225,470 |
| Capitalized interest | **15,421** | 16,137 |
| Rent expense [1] | **505,125** | 472,425 |
| Total fixed charges | **$ 773,325** | $ 714,032 |
| | | |
| Consolidated fixed charge coverage ratio | **6.11** | 6.02 |
| | | |
| GAAP debt | **$ 7,014,543** | $ 5,823,744 |
| Add: Stand-by letters of credit | **197,809** | 162,289 |
| Unamortized discount and debt issuance costs | **30,457** | 26,256 |
| Five-times rent expense | **2,525,625** | 2,362,125 |
| Non-GAAP adjusted debt | **$ 9,768,434** | $ 8,374,414 |
| | | |
| Consolidated leverage ratio | **2.07** | 1.95 |

[1] The table below outlines the calculation of Rent expense and reconciles Rent expense to Total lease cost, per Accounting Standard Codification 842 ("ASC 842") the most directly comparable GAAP financial measure, for the twelve months ended June 30, 2026 and 2025 (in thousands):

| | For the Twelve Months Ended June 30, | |
|---|---|---|
| | 2026 | 2025 |
| Total lease cost, per ASC 842 | $ 606,667 | $ 570,733 |
| Less: Variable non-contract operating lease components, related to property taxes and insurance | 101,542 | 98,308 |
| Rent expense | $ 505,125 | $ 472,425 |

The table below outlines the calculation of Free cash flow and reconciles Free cash flow to Net cash provided by operating activities, the most directly comparable GAAP financial measure, for the six months ended June 30, 2026 and 2025 (in thousands):

| | For the Six Months Ended June 30, | |
|---|---|---|
| | **2026** | 2025 |
| Cash provided by operating activities | **$ 2,039,412** | $ 1,511,966 |
| Less: Capital expenditures | **552,050** | 587,685 |
| Excess tax benefit from share-based compensation payments | **9,546** | 20,273 |
| Free cash flow | **$ 1,477,816** | $ 904,008 |

Free cash flow, the consolidated fixed charge coverage ratio, and the consolidated leverage ratio discussed and presented in the tables above are not derived in accordance with United States generally accepted accounting principles ("GAAP"). We do not, nor do we suggest investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, GAAP financial information. We believe that the presentation of our free cash flow, consolidated fixed charge coverage ratio, and consolidated leverage ratio provides meaningful supplemental information to both management and investors and reflects the required covenants under the Credit Agreement. We include these items in judging our performance and believe this non-GAAP information is useful to investors as well. Material limitations of these non-GAAP measures are that such measures do not reflect actual GAAP amounts. We compensate for such limitations by presenting, in the tables above, a reconciliation to the most directly comparable GAAP measures.

*Share Repurchase Program:*

See Note 9 “Share Repurchase Program” to the Consolidated Financial Statements for information on our share repurchase program.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of our financial statements in accordance with GAAP requires the application of certain estimates and judgments by management. Management bases its assumptions, estimates, and adjustments on historical experience, current trends and other factors believed to be relevant at the time the condensed consolidated financial statements are prepared. There have been no material changes in the critical accounting estimates since those discussed in our annual report on Form 10-K for the year ended December 31, 2025.

**RECENT ACCOUNTING PRONOUNCEMENTS**

See Note 15 “Recent Accounting Pronouncements” to the Condensed Consolidated Financial Statements for information about recent accounting pronouncements.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

*Interest Rate Risk:*

We are subject to interest rate risk to the extent we borrow against our unsecured revolving credit facility (the “Revolving Credit Facility”) with variable interest rates based on either an Alternative Base Rate or Adjusted Term SOFR Rate, as defined in the credit agreement governing the Revolving Credit Facility. As of June 30, 2026, we had no outstanding borrowings under our Revolving Credit Facility.

We are also subject to interest rate risk to the extent we issue short-term, unsecured commercial paper notes under our commercial paper program (the “Program”) with variable interest rates. As of June 30, 2026, we had outstanding borrowings under the Program in the amount of $1.3 billion, at the weighted-average variable interest rate of 4.065%. At this borrowing level, a 10% increase in interest rates would have had an unfavorable annual impact on our pre-tax earnings and cash flows in the amount of $5.5 million.

*Cash Equivalents Risk:*

We invest certain of our excess cash balances in short-term, highly-liquid instruments with maturities of 90 days or less. We do not expect any material losses from our invested cash balances and we believe that our interest rate exposure is minimal. As of June 30, 2026, our cash and cash equivalents totaled $262.2 million.

*Foreign Currency Risk:*

Foreign currency exposures arising from transactions include firm commitments and anticipated transactions denominated in a currency other than our entities’ functional currencies. To minimize our risk, we generally enter into transactions denominated in the respective functional currencies. Our foreign currency exposure arises from Mexican peso-denominated and Canadian dollar-denominated revenues and profits and their respective translations into U.S. dollars.

We view our investments in Mexican subsidiaries as long-term. The net asset exposure in the Mexican subsidiaries translated into U.S. dollars using the period-end exchange rates was $594.7 million at June 30, 2026. The period-end exchange rate of the Mexican peso, relative to the U.S. dollar, strengthened by approximately 3.0% from December 31, 2025. The potential loss in value of our net assets in the Mexican subsidiaries resulting from a 10% change in quoted foreign currency exchange rates at June 30, 2026, would be approximately $54.1 million. Any changes in our net assets in the Mexican subsidiaries relating to foreign currency exchange rates would be reflected in the financial statements through the foreign currency translation component of accumulated other comprehensive income, unless the Mexican subsidiaries are sold or otherwise disposed. A 10% change in average exchange rates would not have had a material impact on our results of operations.

We view our investments in Canadian subsidiaries as long-term. The net asset exposure in the Canadian subsidiaries translated into U.S. dollars using the period-end exchange rates was $189.1 million at June 30, 2026. The period-end exchange rate of the Canadian dollar, relative to the U.S. dollar, weakened by approximately 3.3% from December 31, 2025. The potential loss in value of our net assets in the Canadian subsidiaries resulting from a 10% change in quoted foreign currency exchange rates at June 30, 2026, would be approximately $17.2 million. Any changes in our net assets in the Canadian subsidiaries relating to foreign currency exchange rates would be reflected in the financial statements through the foreign currency translation component of accumulated other comprehensive income, unless the Canadian subsidiaries are sold or otherwise disposed. A 10% change in average exchange rates would not have had a material impact on our results of operations.

Our market risks have not materially changed since those discussed in our annual report on Form 10-K for the year ended December 31, 2025.

## Item 4. Controls and Procedures

### EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the management of the Company, under the supervision and with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) and as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company, including its consolidated subsidiaries, in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### CHANGES IN INTERNAL CONTROLS

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended June 30, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is currently involved in litigation incidental to the ordinary conduct of the Company's business. Based on existing facts and historical patterns, the Company accrues for litigation losses in instances where an adverse outcome is probable and the Company is able to reasonably estimate the probable loss in accordance with Accounting Standard Codification 450-20. The Company also accrues for an estimate of legal costs to be incurred for litigation matters. Although the Company cannot ascertain the amount of liability that it may incur from legal matters, it does not currently believe that, in the aggregate, these matters, taking into account applicable insurance and accruals, will have a material adverse effect on its consolidated financial position, results of operations or cash flows in a particular quarter or annual period.

### Item 1A. Risk Factors

As of June 30, 2026, there have been no material changes to the risk factors set forth in our annual report on Form 10-K for the year ended December 31, 2025.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company had no sales of unregistered securities during the six months ended June 30, 2026. The following table identifies all repurchases during the three months ended June 30, 2026, of any of the Company's securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, by or on behalf of the Company or any affiliated purchaser (in thousands, except per share data):

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs [1] |
|---|---|---|---|---|
| April 1, 2026, to April 30, 2026 | 3,646 | $ 92.83 | 3,646 | $ 1,137,582 |
| May 1, 2026, to May 31, 2026 | 6,318 | 91.01 | 6,318 | 562,558 |
| June 1, 2026, to June 30, 2026 | 6,738 | 88.52 | 6,738 | $ 1,966,095 |
| **Total as of June 30, 2026** | **16,702** | **$ 90.40** | **16,702** | |

(1) The authorization under the share repurchase program that currently has capacity is scheduled to expire on June 1, 2029. No other share repurchase programs existed during the six months ended June 30, 2026. See Note 9 "Share Repurchase Program" to the Condensed Consolidated Financial Statements for further information on our share repurchases.

### Item 5. Other Information

(c) Rule 10b5-1 Trading Plan Elections:

None of the Company's Directors or Officers adopted, modified, or terminated a Rule 10b5-1 trading agreement or a non-Rule 10b5-1 trading agreement, as defined in Item 408(c) of Regulation S-K, during the Company's fiscal quarter ended June 30, 2026.

**Item 6. Exhibits**

| Exhibit No. | Description |
|---|---|
| 3.1 | Third Amended and Restated Articles of Incorporation of the Registrant, filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated May 15, 2025, is incorporated herein by this reference. |
| 3.2 | Fourth Amended and Restated Bylaws of the Registrant, filed as Exhibit 3.3 to the Registrant's Current Report on Form 8-K dated May 19, 2020, is incorporated herein by this reference. |
| 4.1 | Seventh Supplemental Indenture, dated as of March 12, 2026, by and between O'Reilly Automotive, Inc. and U.S. Bank Trust Company, National Association, as Trustee, filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated March 12, 2026, is incorporated herein by this reference. |
| 4.2 | Form of Note for 5.100% Senior Notes due 2036, included in Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated March 12, 2026, is incorporated herein by this reference. |
| 21.1 | Subsidiaries of the Registrant, filed herewith. |
| 31.1 | Certificate of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 31.2 | Certificate of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith. |
| 32.1 * | Certificate of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith. |
| 32.2 * | Certificate of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith. |
| 101.INS | iXBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | iXBRL Taxonomy Extension Schema. |
| 101.CAL | iXBRL Taxonomy Extension Calculation Linkbase. |
| 101.DEF | iXBRL Taxonomy Extension Definition Linkbase. |
| 101.LAB | iXBRL Taxonomy Extension Label Linkbase. |
| 101.PRE | iXBRL Taxonomy Extension Presentation Linkbase. |
| 104 | Cover Page Interactive Data File, formatted as Inline XBRL, contained in Exhibit 101 attachments. |

* Furnished (and not filed) herewith pursuant to Item 601(b)(32)(ii) of Regulation S-K.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**O'REILLY AUTOMOTIVE, INC.**

| | |
|---|---|
| August 7, 2026 | /s/ Brad Beckham |
| Date | Brad Beckham<br>Chief Executive Officer<br>(Principal Executive Officer) |
| August 7, 2026 | /s/ Jeremy A. Fletcher |
| Date | Jeremy A. Fletcher<br>Executive Vice President and Chief Financial Officer<br>(Principal Financial and Accounting Officer) |

**Exhibit 21.1 – Subsidiaries of the Registrant**

## O’REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

## SUBSIDIARIES OF THE REGISTRANT

| Subsidiary | State of Incorporation |
|---|---|
| O’Reilly Automotive Stores, Inc. | Missouri |
| Ozark Automotive Distributors, Inc. | Missouri |
| Ozark Services, Inc. | Missouri |
| Ozark Purchasing, LLC | Missouri |
| OAP Transportation, LLC | Missouri |
| O’Reilly Auto Enterprises, LLC | Delaware |

In addition, eight subsidiaries operating in the United States and 22 subsidiaries operating outside of the United States have been omitted from the above list, as they would not, considered in the aggregate as a single subsidiary, constitute a significant subsidiary as defined by Rule 1-02(w) of Regulation S-X.

One hundred percent of the capital stock of each of the above subsidiaries is directly or indirectly owned by O’Reilly Automotive, Inc.

**Exhibit 31.1 - CEO Certification**

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**

**CERTIFICATIONS**

I, Brad Beckham, certify that:

1. I have reviewed this report on Form 10-Q of O'Reilly Automotive, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2026

/s/ Brad Beckham
Brad Beckham
Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2 - CFO Certification**

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**

**CERTIFICATIONS**

I, Jeremy A. Fletcher, certify that:

1. I have reviewed this report on Form 10-Q of O'Reilly Automotive, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2026

/s/ Jeremy A. Fletcher
Jeremy A. Fletcher
Executive Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1 - CEO Certification**

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**

O'REILLY AUTOMOTIVE, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of O'Reilly Automotive, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brad Beckham, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brad Beckham
Brad Beckham
Chief Executive Officer

August 7, 2026

This certification is made solely for purposes of 18 U.S.C. Section 1350, and not for any other purpose. This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Exhibit 32.2 - CFO Certification**

**O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES**

O'REILLY AUTOMOTIVE, INC.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of O'Reilly Automotive, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy A. Fletcher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeremy A. Fletcher
Jeremy A. Fletcher
Chief Financial Officer

August 7, 2026

This certification is made solely for purposes of 18 U.S.C. Section 1350, and not for any other purpose. This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.